

BEEF CATTLE PROSPECTS:

FEED, FEEDERS AND FED CATTLE

by

Wallace Barr

Department of Agricultural Economics
and Rural Sociology
The Ohio State University

PEOPLE IN THE CATTLE INDUSTRY

-- CONTINUE TO BE

DISAPPOINTED

DISCOURAGED

DISGUSTED

DISTURBED

-- PROFITS

COW - CALF OPERATOR

FOUR YEARS OF LOSSES

FEEDLOT OPERATORS

MINIMAL AT BEST

-- CATTLEMEN FRUSTRATED

WHAT WE SAID LAST FALL

PROSPECTIVE FEEDER CATTLE PRICES, CHOICE

FALL, 1976

WEIGHTS

STEERS

HEIFERS

UNDER 500 LBS .

\$ 34 - 40

\$ 28 - 34

500-600

36 - 42

30 - 35

600-800

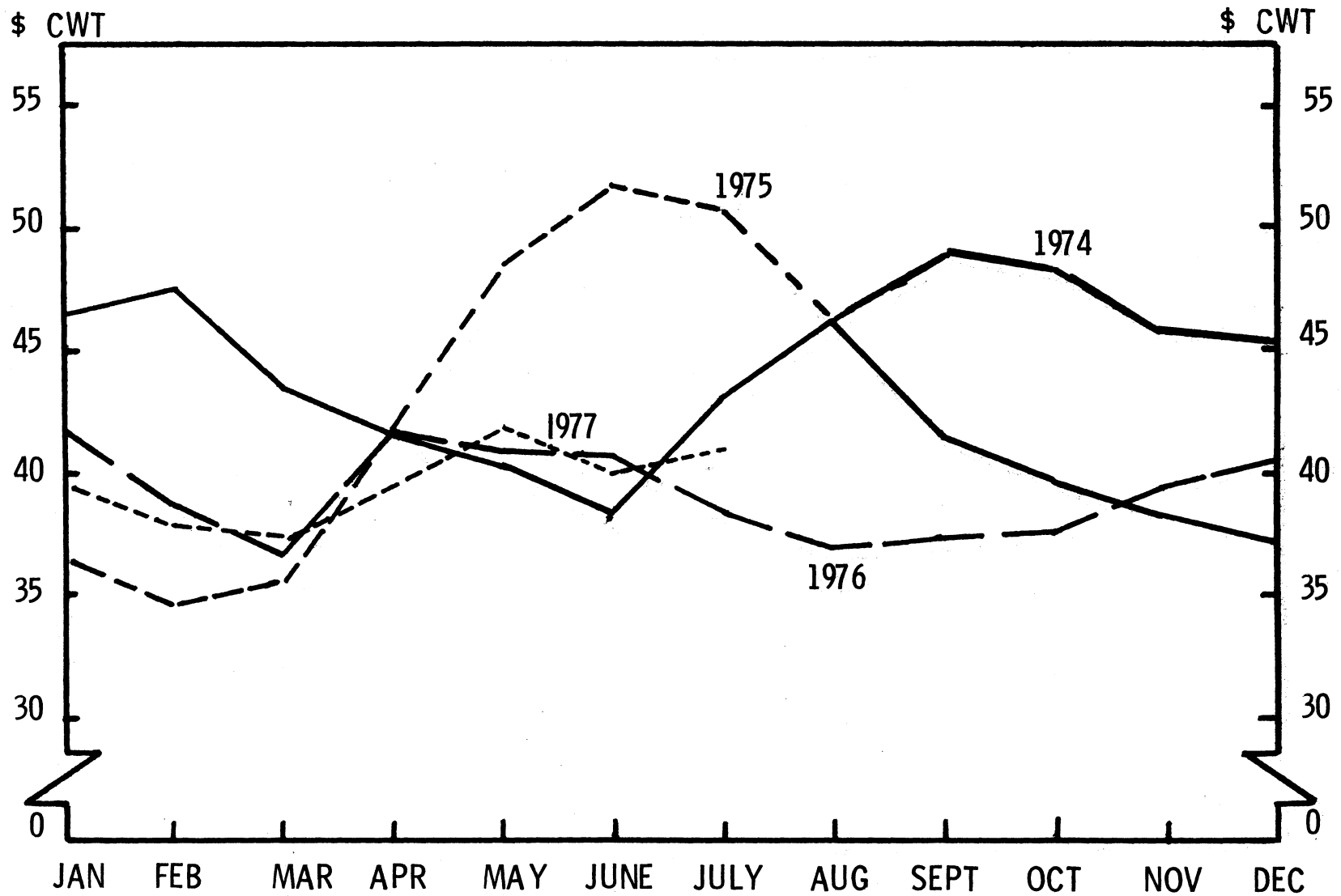
35 - 40

30 - 35

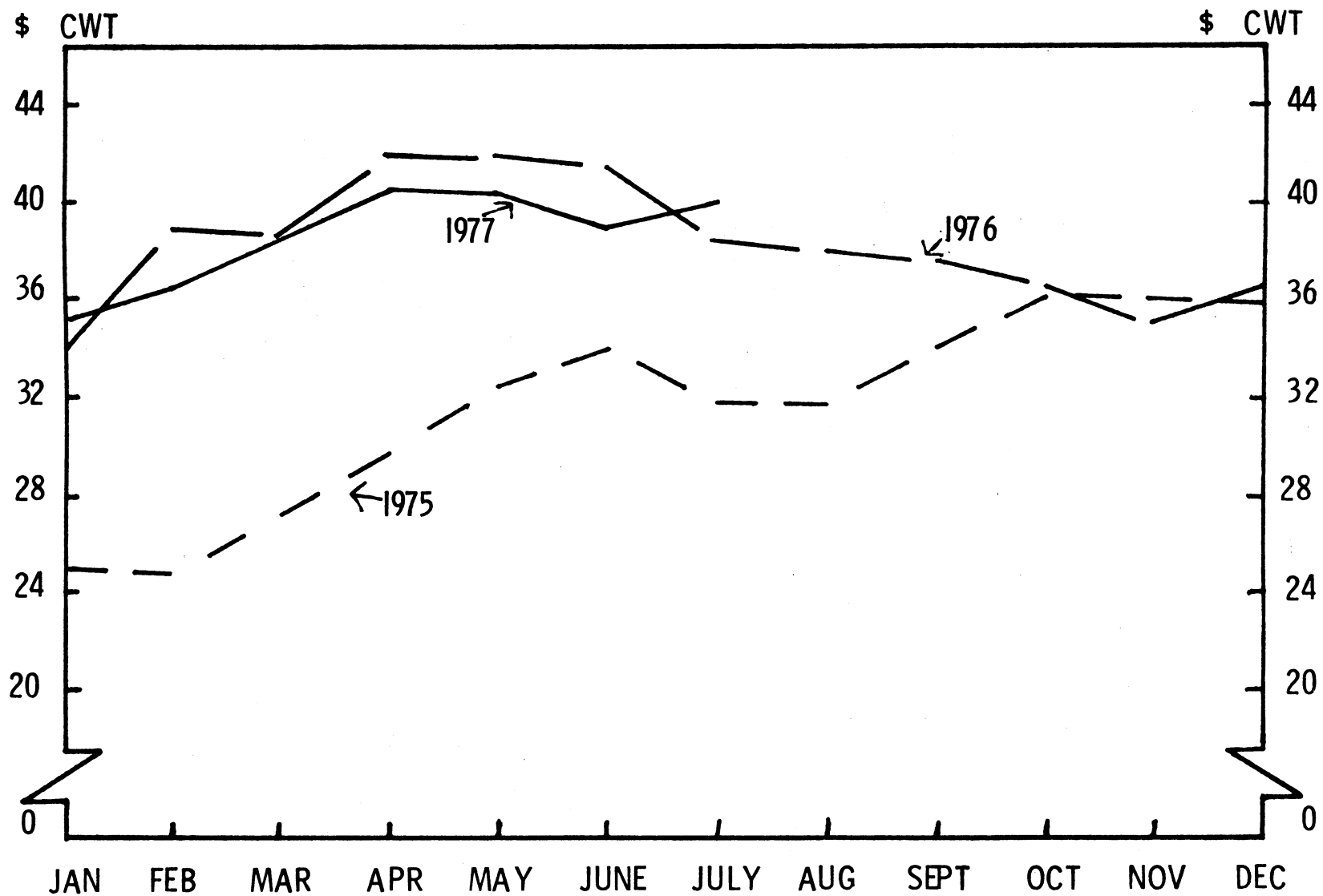
GOOD -- DISCOUNT \$6.00

SEPTEMBER, 1976

FED CATTLE CHOICE STEERS, 900-1100, OMAHA



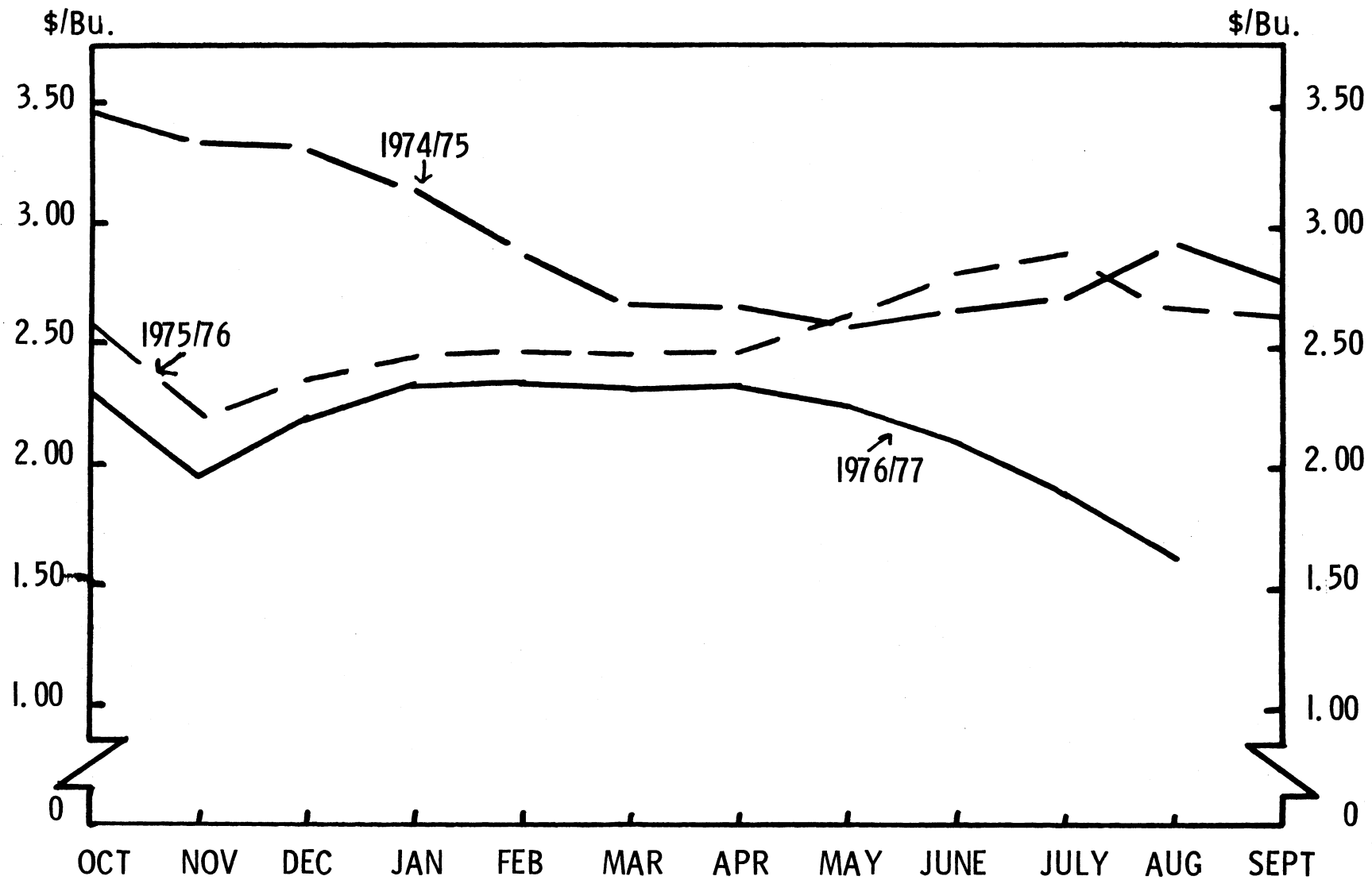
FEEDER STEERS: CHOICE 500-700#, KY.



CORN PROSPECTS FOR 1977-78

	<u>AMT.</u> (Bil. Bu.)	<u>PERCENT</u> (1977/1976)
CROP (AUG.)	6.1	-2%
SUPPLIES	7.0	+6%
USE		
DOMESTIC	4.2-4.4	+5-10
EXPORTS	1.3-1.6	-5-20
CARRYOVER	1.1-1.4	+1-28
PRICE AVE. OHIO FARM		
1976 CROP	\$2.20	
WE SAID	\$2.25-2.40	
1977 CROP	\$1.70 - 1.90	

CORN: OHIO AVERAGE MONTHLY PRICE



SOYBEAN PROSPECTS FOR 1977-78

	AMT. (MIL. BU.)	PERCENT (1977/1976)
CROP (AUG.)	1, 602	+27%
SUPPLIES	1, 667	+10
USE	1, 470-1, 520	+2-9
DOMESTIC	910-950	+4-9
EXPORT	560-620	-2 to +8
CARRYOVER	97 -197	+49-203

1977 SOYBEANS (CONT.)

PRICES (DECATUR)

	<u>PER BU.</u>	<u>PRICE</u>	<u>VALUE</u>
OIL, LB.	11#	15 - 20¢	\$1.65 - 2.20
MEAL TON	47#	\$130 - 150	<u>3.05 - 3.52</u>
TOTAL			4.70 - 5.72

MINUS

MARGINS: TRANSPORTATION

PRICE, AVE. OHIO FARM

1976

\$7.00

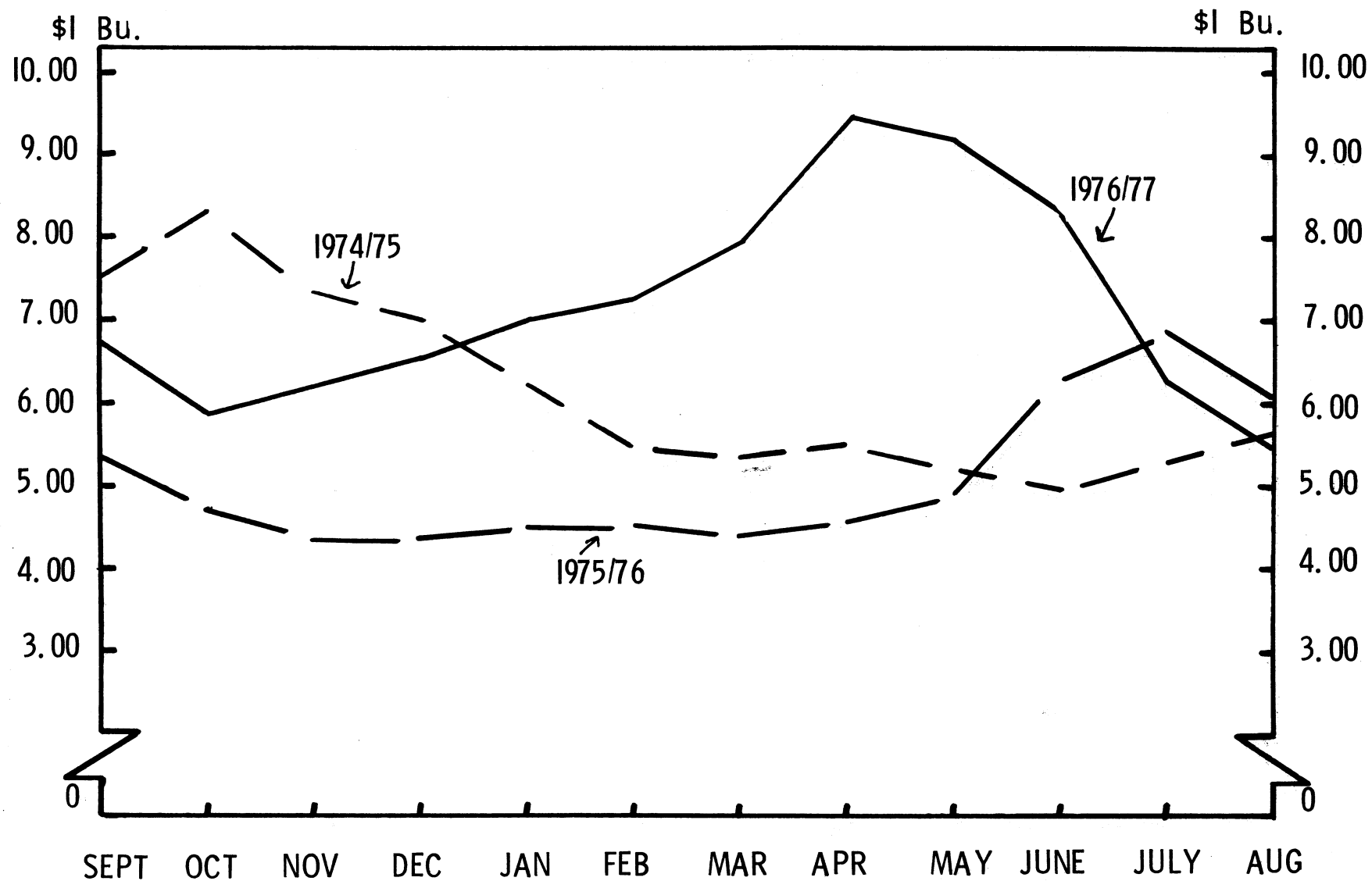
WE SAID

\$5.50 - 6.50

1977 (EST.)

\$4.25 - 5.25

SOYBEANS: OHIO AVERAGE MONTHLY PRICE



WHERE HAVE WE BEEN?

(FIRST HALF OF 1977)

1977/1976

SLAUGHTER, NO.

- 2%

FED

+3%

NONFED

-12

CALF

+7

COW

-7

WEIGHTS

+1%

OUTPUT

- 1%

USE/PERSON (64#)

-2%

RETAIL BEEF PRICES, LB.

-7¢ (\$1.46)

STEER PRICES, OMAHA

AVERAGE, 1977

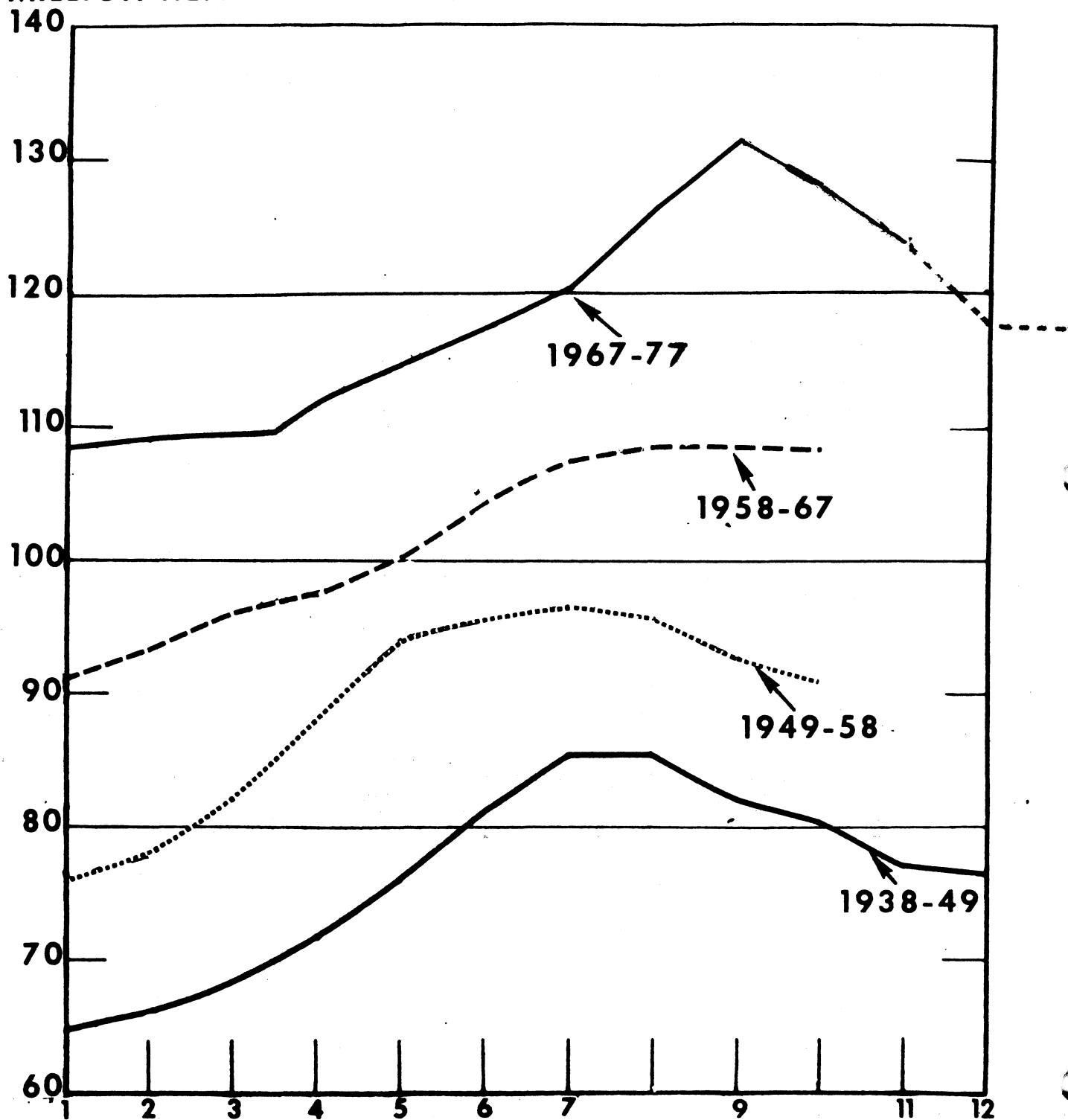
\$39.30 (\$40.05)

RANGE '77 (JAN-AUG)

\$36.60 - \$41.80

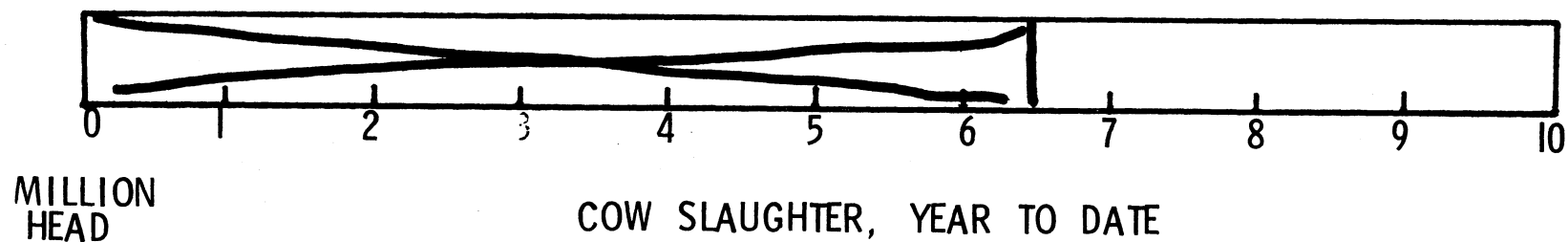
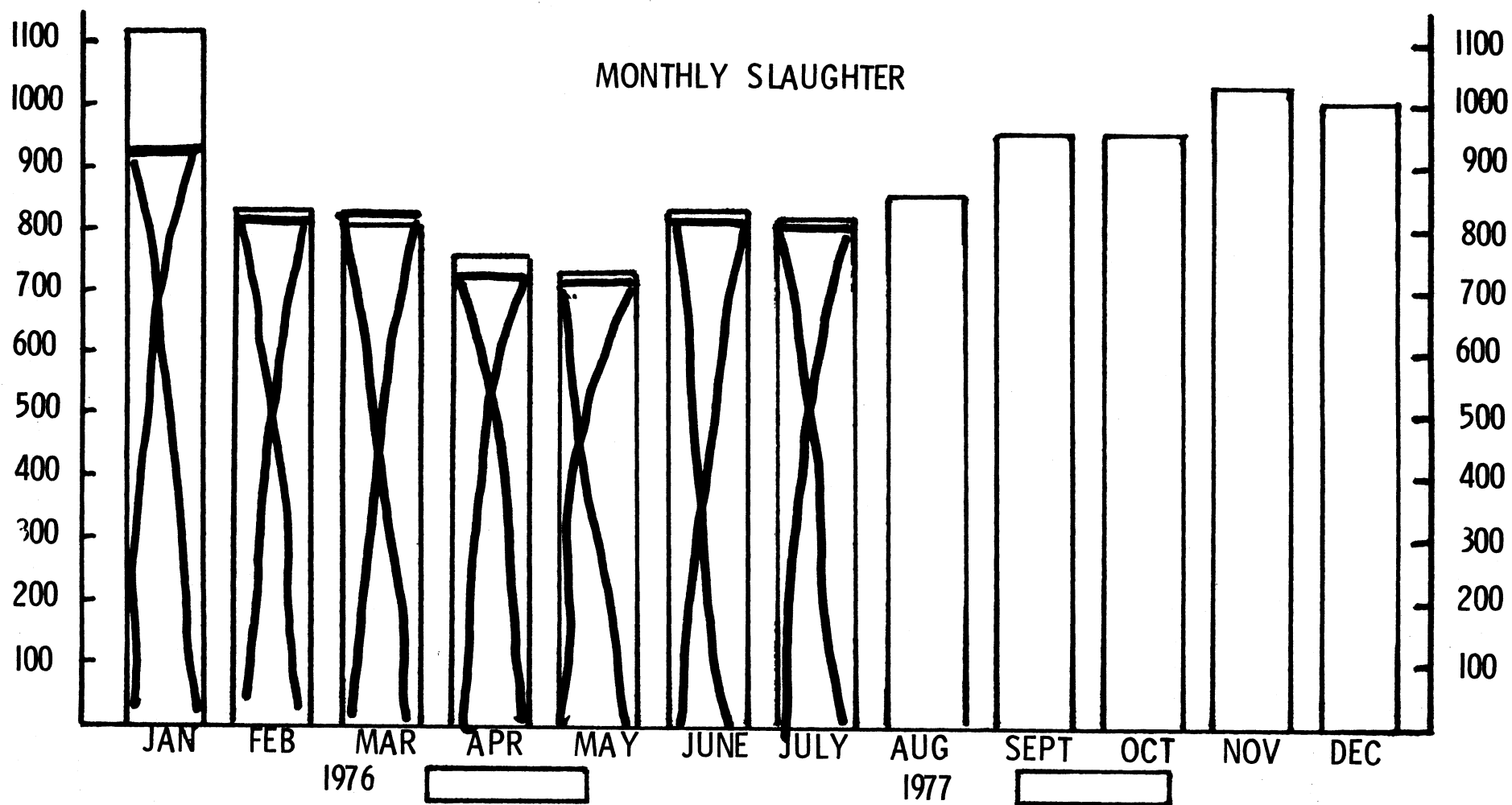
CATTLE ON FARMS BY CYCLES

MILLION HEAD



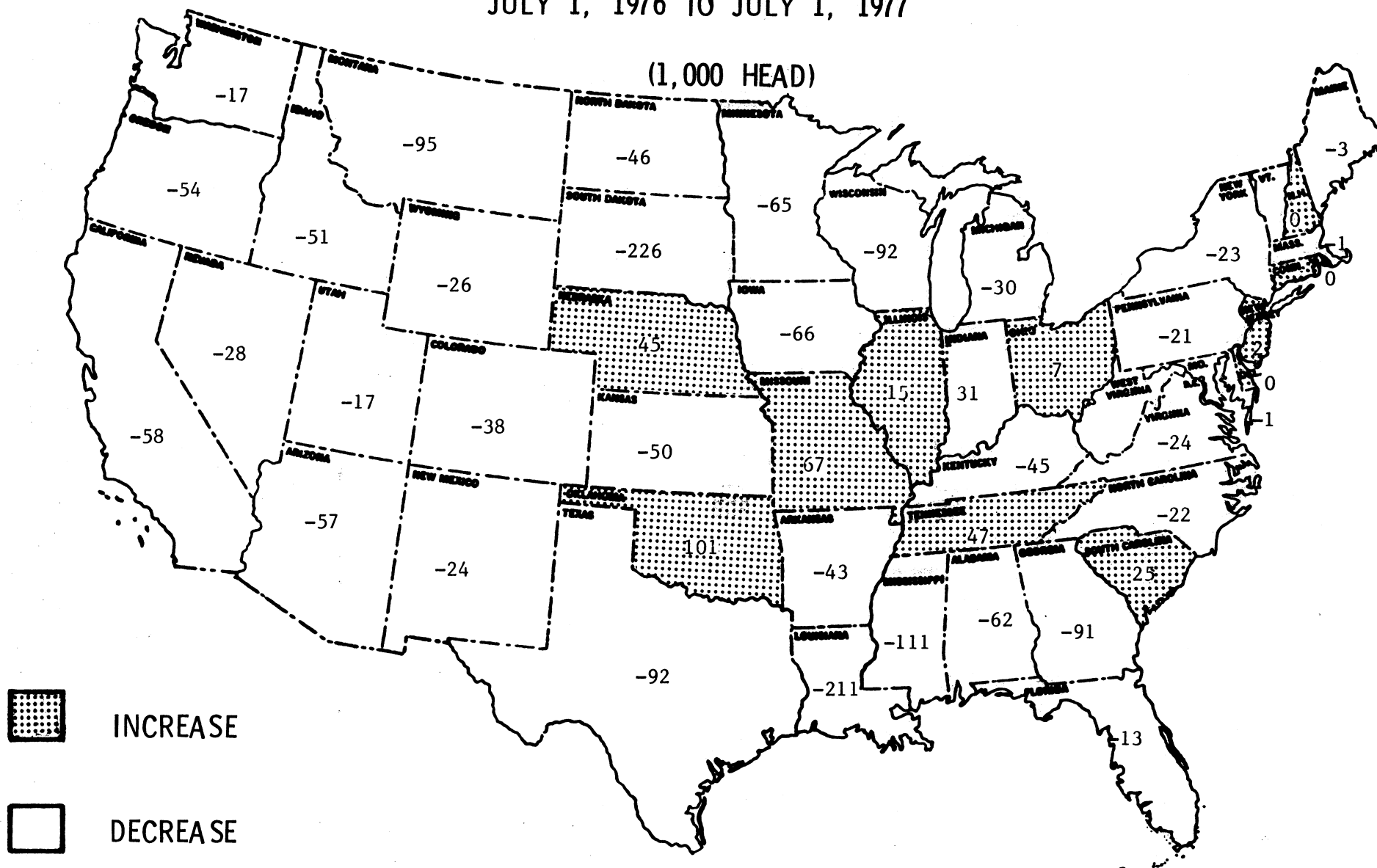
* YEARS OF CYCLE BEGINNING FROM LOW IN NUMBERS ON FARMS AND RANCHES.

COW SLAUGHTER, 1977 VS. 1976

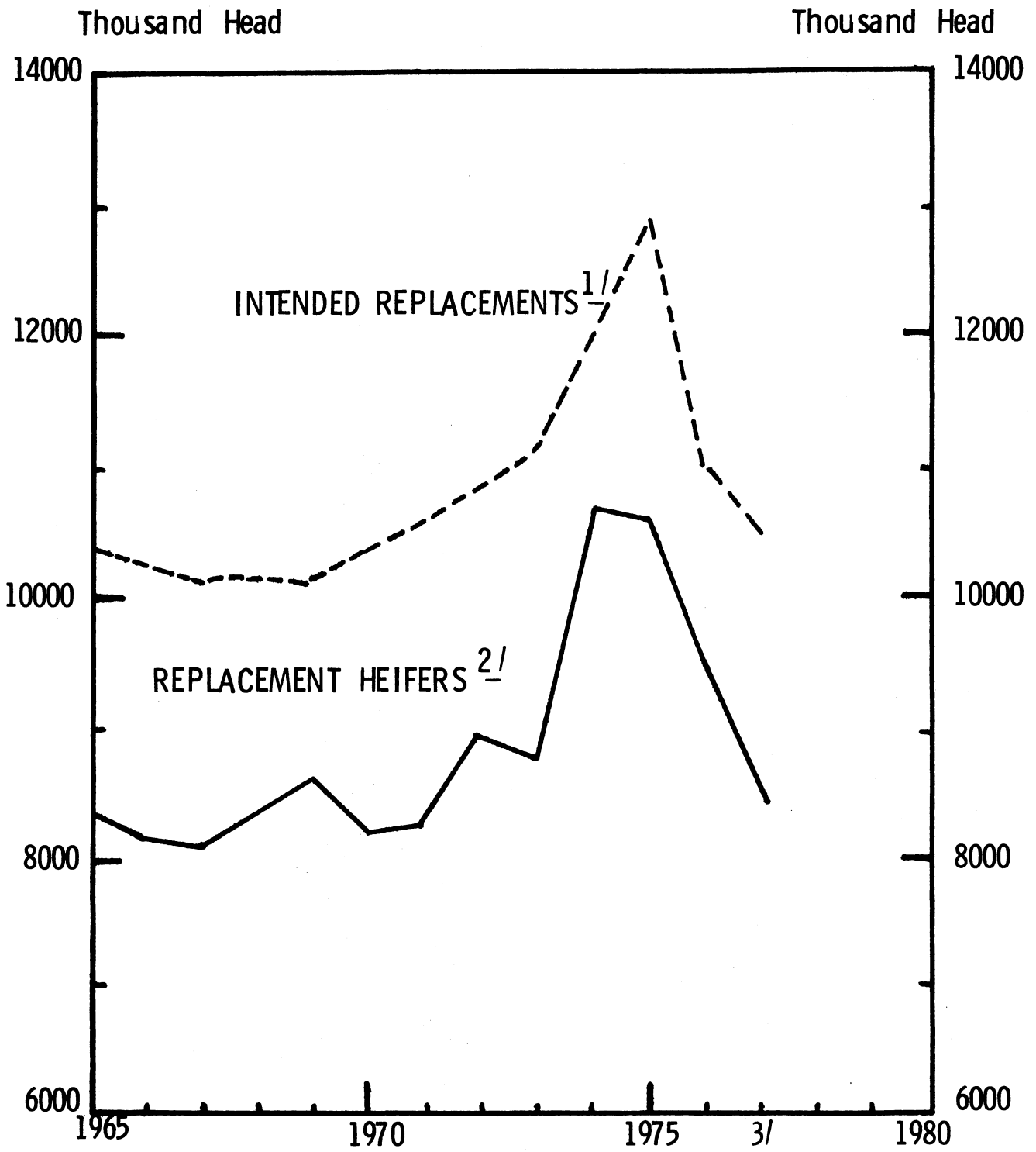


JULY 1, 1976 TO JULY 1, 1977

(1,000 HEAD)



REPLACEMENT HEIFERS

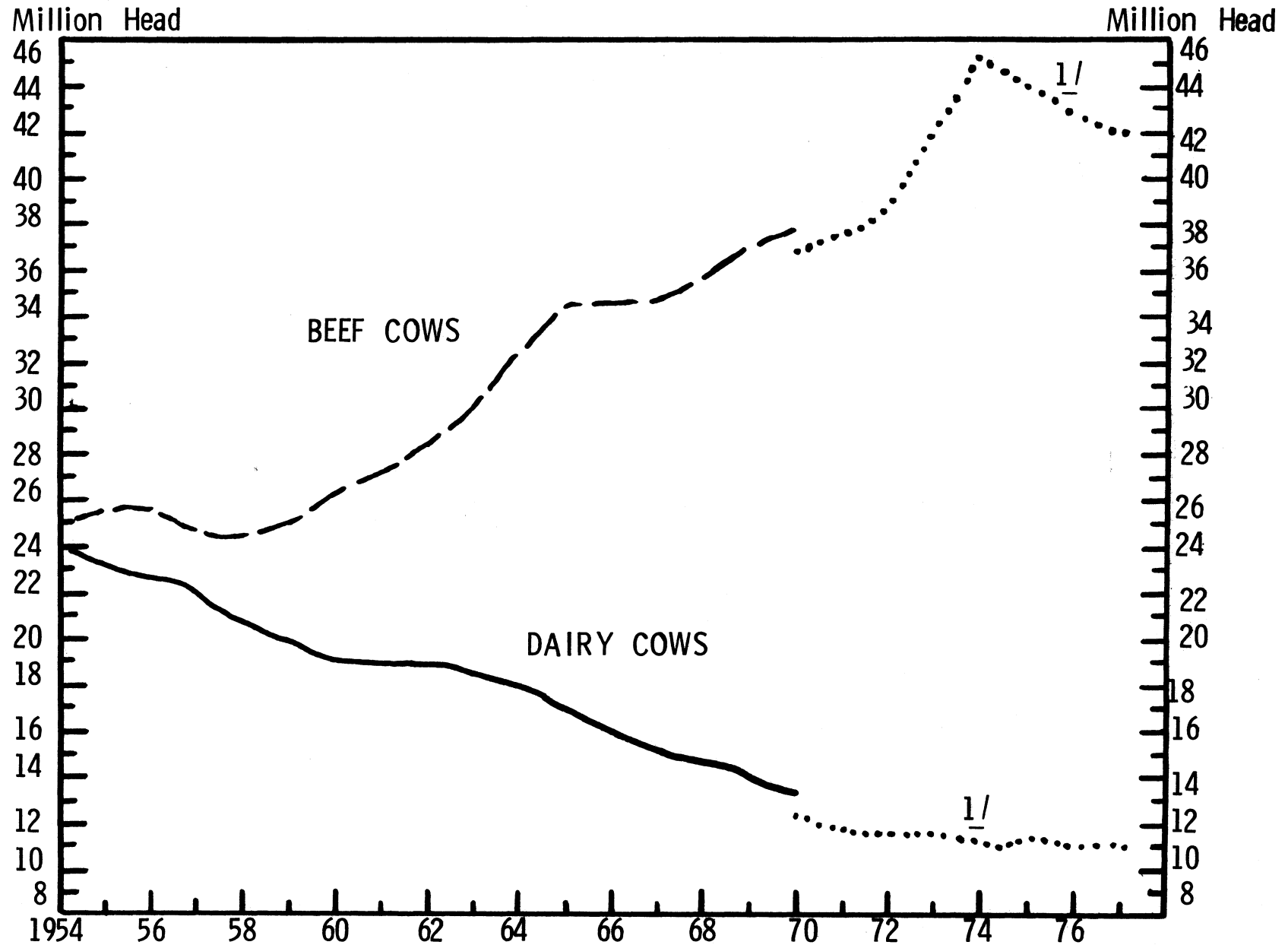


1/ Replacement heifers 500 #'s and over on January 1.

2/ Actual number of heifers entering cow herd.

3/ Estimated.

COW NUMBERS JANUARY 1, 1954 - 1977



1/ Cows and Heifers that have calved.

WHERE WE ARE?

CATTLE ON FEED, JULY 1
(23 STATES)

PERCENT
(1977/1976)

-- NUMBER

STEERS

- 4%

HEIFERS

- 1

-- WEIGHT GROUPS

STEERS

HEIFER

1100# & UP

-27

xx

900 - 1099 #

0

-11

700 - 899 #

-5

+5

500 - 699 #

- 4

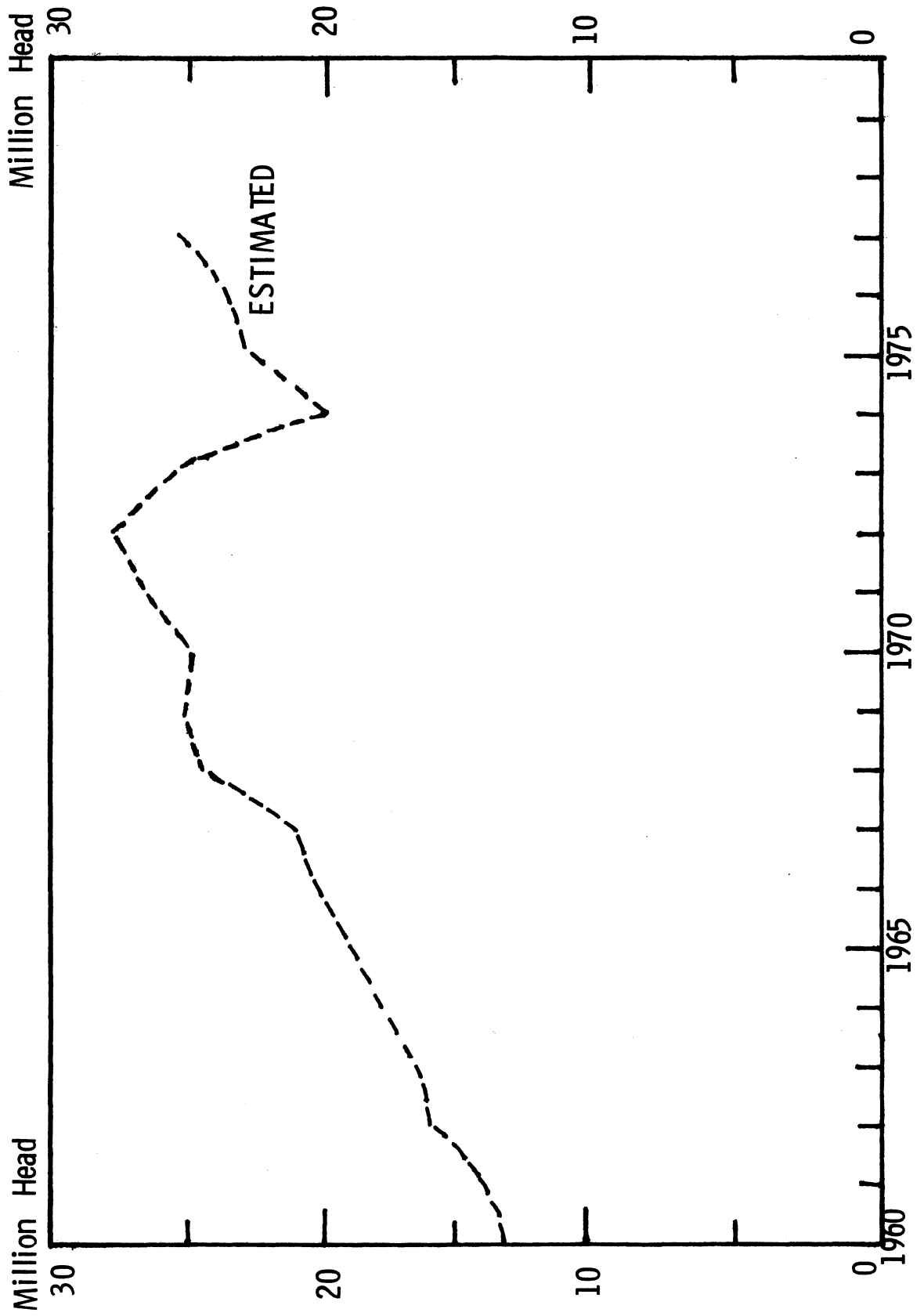
-5

UNDER 500 #

+44

-1

PLACEMENTS ON FEED - CATTLE (23 STATES)



WHAT'S HAPPENING TO MEAT USE?

LBS/ PERSON/ YEAR

	<u>BEEF</u>	<u>PORK</u>	<u>RED MEAT</u>
1950	63	69	145
1960	85	65	161
1970	114	66	186
1971	113	73	192
1972	116	67	189
1973	110	62	176
1974	117	67	188
1975	120	55	181
1976	129	58	193
1977 (EST.)	125	61	192
1978 (EST.)	120	64	190

WHERE WE ARE?

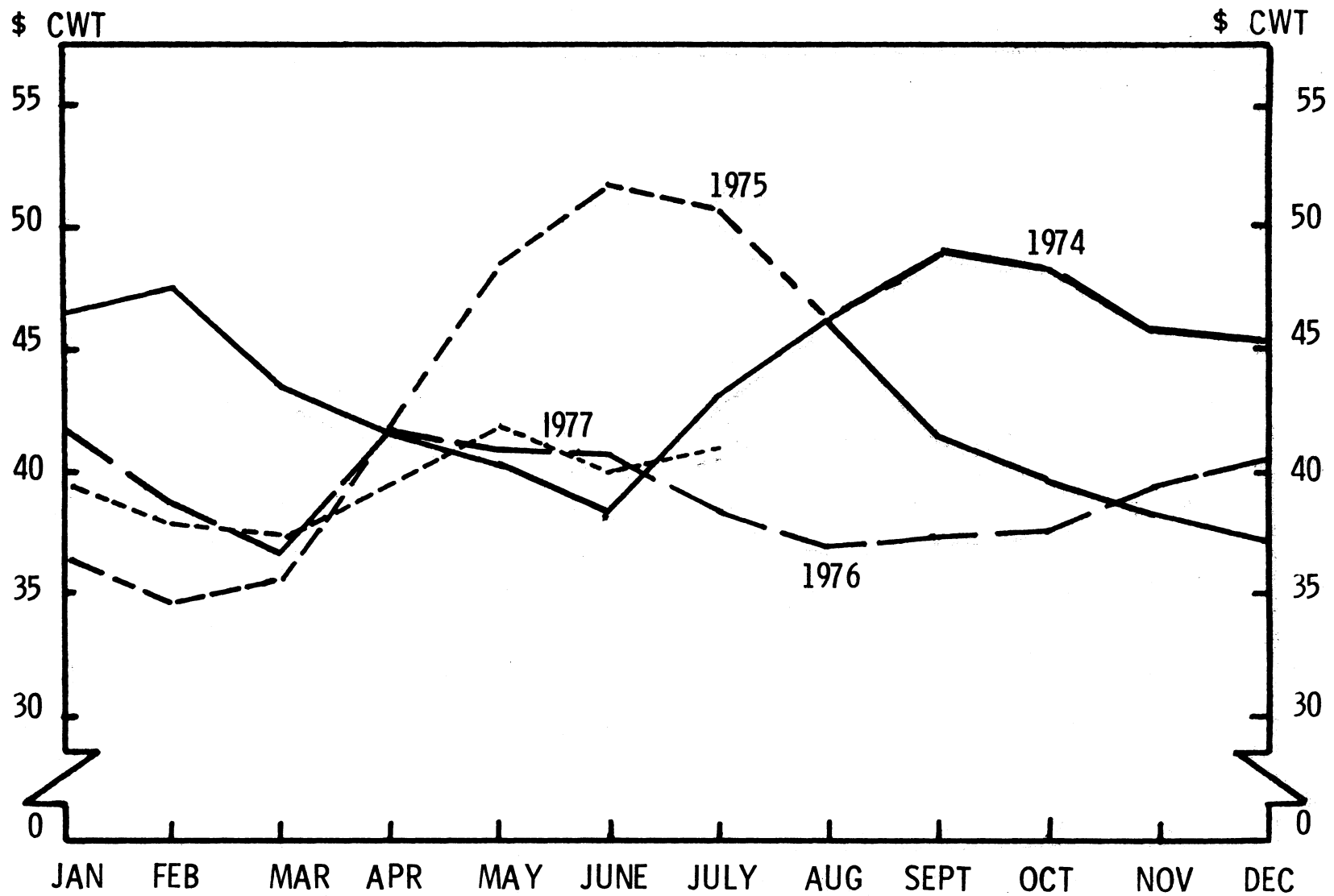
(LAST HALF OF 1977)

	<u>QUARTER (1977/1976)</u>	
	THIRD	FOURTH
-- SLAUGHTER, NO.	- 4 %	- 4 %
FED	0	+ 2
NONFED	-11	-14
COWS	-12	-11
% NONFED	39	41
-- WEIGHTS	+2	0
-- OUTPUT	-2 %	- 4 %
-- USE/ PERSON	-7 (31 lbs.)	-5 (30)

BEEF PRICE FLEXIBILITY

<u>A 1% CHANGE IN PER CAPITA:</u>	<u>FED CATTLE PRICE CHANGE</u> (PERCENT)
1 - OUTPUT OF STEER AND HEIFER BEEF	<u>+ 1.75</u>
2 - USE OF COW BEEF AND IMPORTS	<u>+ 0.60</u>
3 - REAL DISPOSABLE INCOME	<u>+ 1.90</u>

FED CATTLE CHOICE STEERS, 900-1100, OMAHA



FEEDER CATTLE PRICES -- SOME FACTORS

-- STRENGTH IN DEMAND

CALF CROP DOWN

BIG GRAIN CROP

LOWER COST FEED

LARGE FEEDLOT CAPACITY

BEEF: CORN RATIO

RISING INCOMES

-- WEAKNESS IN DEMAND

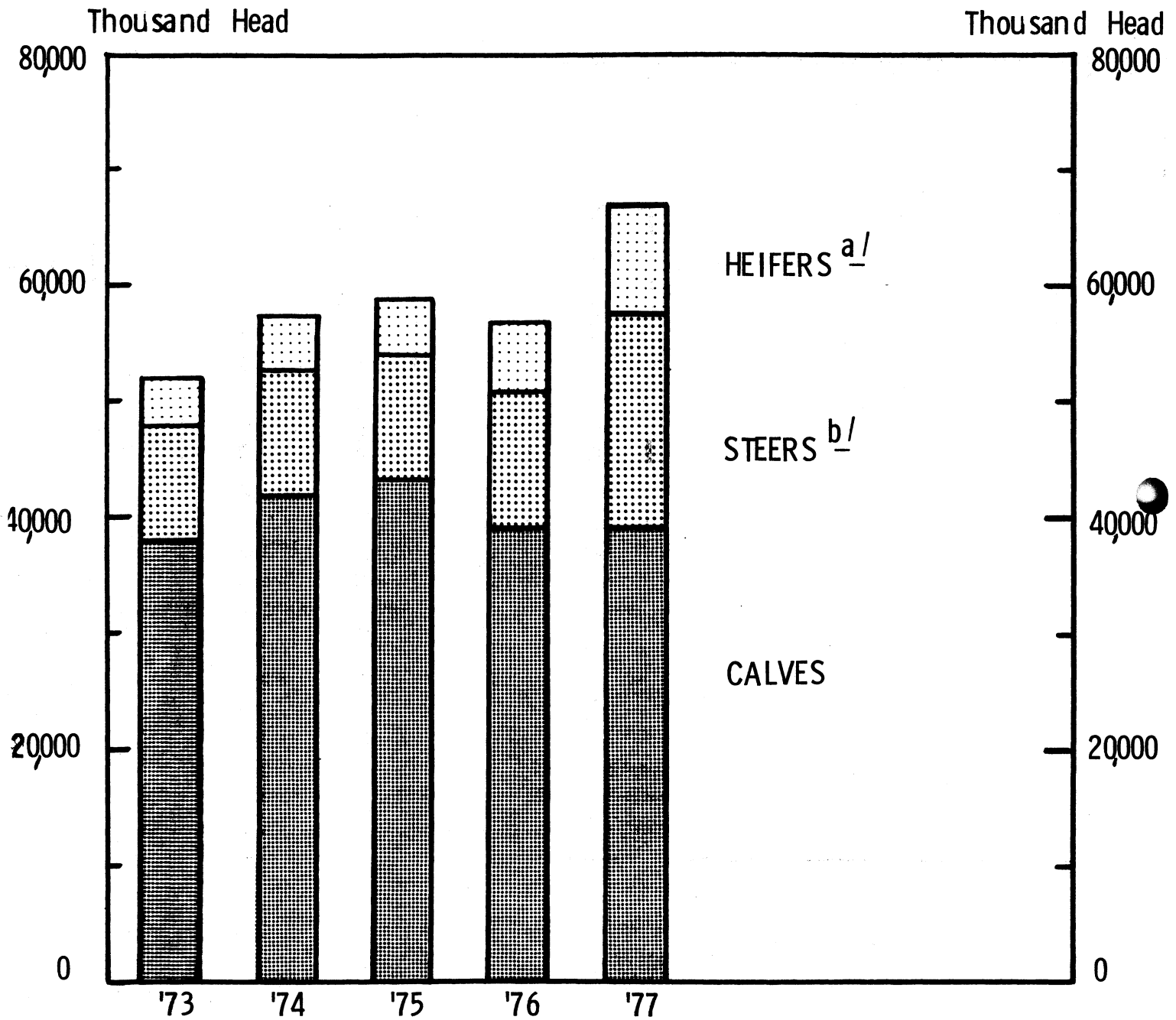
LOSSES FEEDING CATTLE

DRY WEATHER: PASTURES

CREDITORS: CASH FLOW

TOO MANY CATTLE

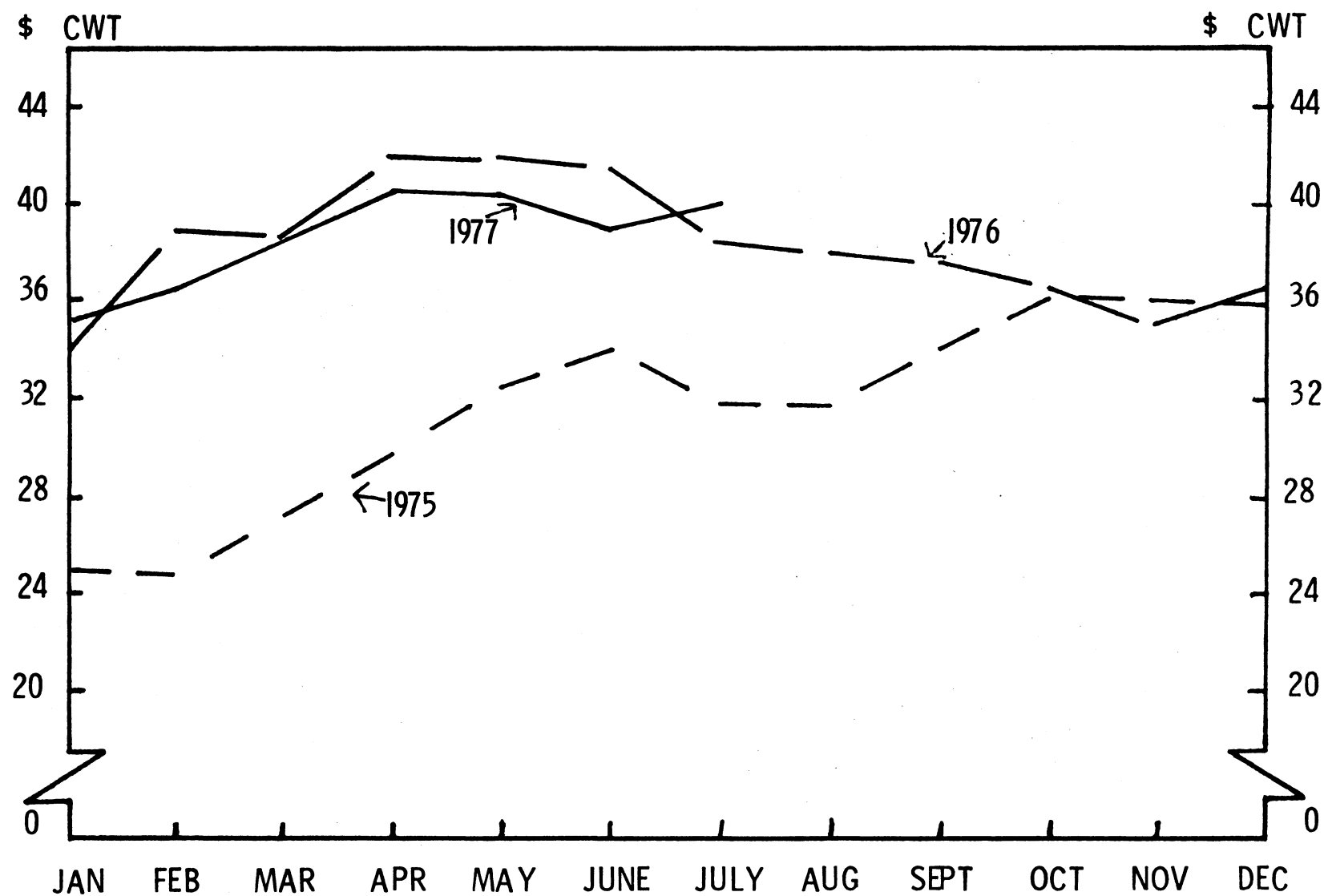
ESTIMATED JULY 1 YEARLING & CALF FEEDER SUPPLY



^{a/} Not including heifers over 500 lbs. being kept for cow replacement.

^{b/} Over 500 lbs.

FEEDER STEERS: CHOICE 500-700#, KY.



PROSPECTIVE FEEDER CATTLE PRICES

KY - CHOICE

WEIGHTS

STEERS

HEIFERS

UNDER 500#

\$40 - 46

\$32 - 38

500 - 600#

40 - 48

33 - 39

600 - 800#

36 - 42

30 - 36

AUG - SEPT '77

COW - CALF OPERATOR OPTIONS

-- PRODUCTION STRATEGIES

1. SELL CALVES

2. ADJUSTMENTS

WINTER CALVES

SHIFT TO YEARLINGS

BACKGROUND YEARLINGS

3. RETAINED OWNERSHIP

BACKGROUND

CUSTOM FEED

-- MARKETING

1. SELL PRIVATELY

2. FORWARD CONTRACT - HEDGE

3. GROUP ACTION : GRADED SALES

BEEF DEMAND PROSPECTS FOR 1978

MORE PEOPLE

MORE JOBS

MORE MONEY

MORE PORK

MORE POULTRY

LESS BEEF

WHERE ARE WE GOING? 1978

1978/1977

-- CATTLE INVENTORY	118 MIL (-4%)
(JAN. 1, 1978)	
-- COW HERD	51 MIL (-4%)
BEEF COWS	- 5%
DAIRY COWS	- 1%
-- SLAUGHTER, NO.	- 5 To 6%
FED	+ 1 - 3 %
CALVES	- 8 - 10 %
NONFEDS, COWS	DOWN SHARPLY
-- WEIGHTS	??

WHERE ARE WE GOING? 1978

1978/1977

-- BEEF OUTPUT

-3 to 5%

FIRST HALF

- 3%

SECOND HALF

- 5%

-- IMPORTS

SAME

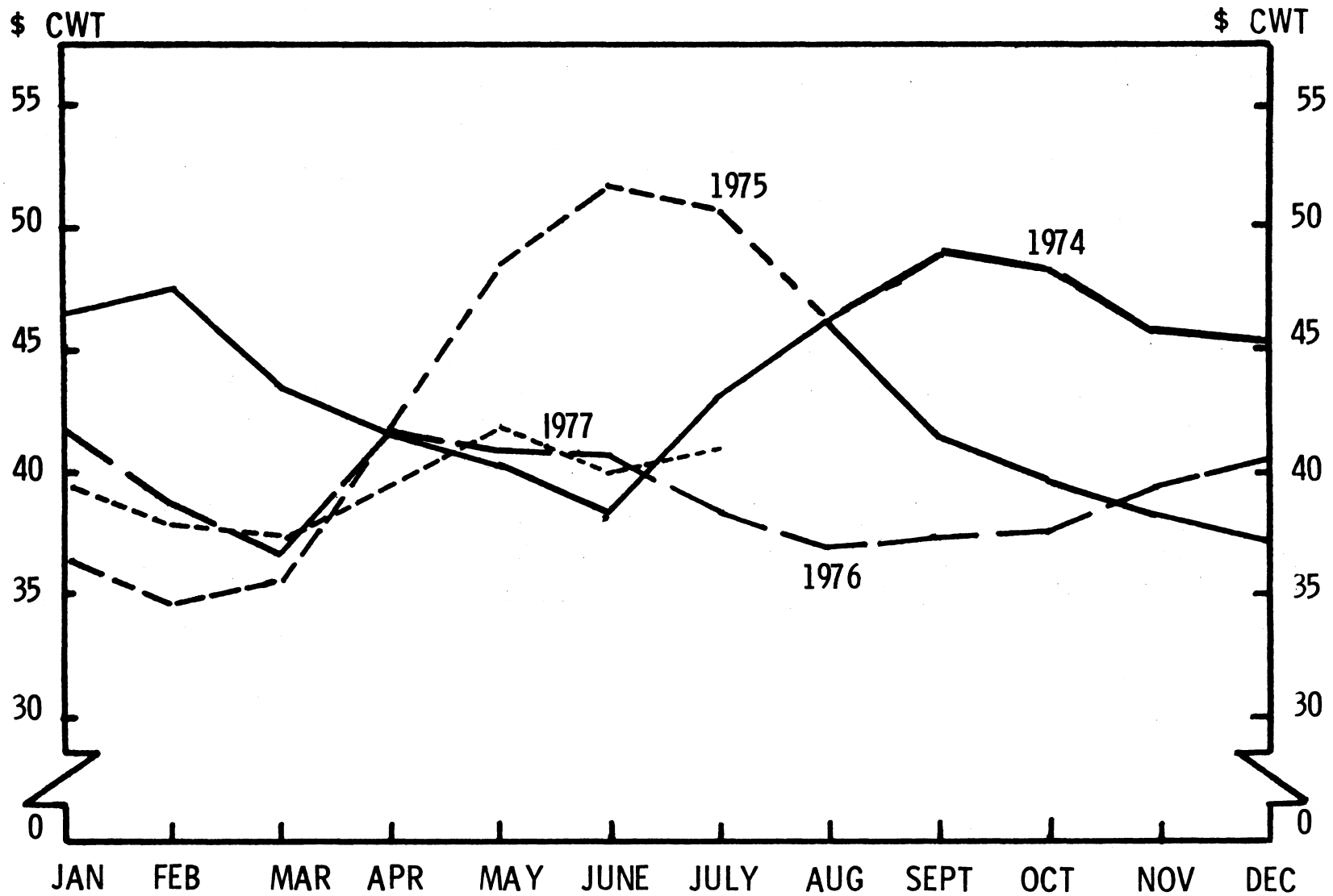
-- BEEF PER PERSON

120 LBS. (-5 lbs.)

-- HIGHER RETAIL PRICES

+8 - 10%

FED CATTLE CHOICE STEERS, 900-1100, OMAHA



BREAK EVEN PRICE FOR FEEDING CATTLE

	<u>COSTS PER HEAD</u>
1. CATTLE	_____
2. FEED	_____
3. DEATH LOSS (2% OF LINE 1)	_____
4. INTEREST	_____
5. MARKETING, ETC.	_____
6. SUBTOTAL	_____
7. LABOR	_____
8. BUILDINGS. EQUIPMENT	_____
9. TOTAL	_____

<u>COST FOR</u>	COST PER HEAD	<u>BREAKEVEN</u> PRICE PER CWT. SOLD
CATTLE AND FEED (LINE 1 & 2)	_____	_____
VARIABLE COSTS (LINE 6)	_____	_____
TOTAL COSTS (LINE 9)	_____	_____

CATTLE FEEDING & LOWER GRAIN PRICES

-- LIGHTER PLACEMENT WEIGHTS

-- FEED MORE GRAIN

-- MARKET WEIGHTS

NORMALLY SOLD AT HEAVIER WEIGHT

BUT, GRADE CHANGES WILL MODERATE

-- SELL WHEN MEET GRADE

REDUCES COST

REDUCES BEEF OUTPUT

HELPS PRICE

FEED REQUIRED GOES UP WITH WEIGHTS

<u>WEIGHT</u>	<u>LBS. OF CONC. / 100# GAIN</u>
600 to 700#	500
700 to 800	580
800 to 900	640
900 to 1000	680
1000 to 1100	710
1100 to 1200	730